

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In the Matter	
of	Case No.
	00-B-41065
RANDALL'S ISLAND FAMILY GOLF	00-B-41188
CENTER, INC.	
Debtor.	

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May 5, 2000

United States Custom House
One Bowling Green
New York, New York 10004

Hearing on post-petition Debtor in Possession
financing and use of cash collateral.

B E F O R E:

HON. STUART M. BERNSTEIN,
Bankruptcy Judge.

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1 RANDALL'S ISLAND FAMILY GOLF CENTER, INC.

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3 A P P E A R A N C E S :

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5 FRIED, FRANK, HARRIS, SHRIVER & JACOBSON,
6 ESQS.

7 Attorneys for Debtors

8 One New York Plaza

9 New York, New York 10004

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11 BY: LAWRENCE A. FIRST, ESQ., of Counsel

12 -and-

13 IRA S. SACKS, ESQ., of Counsel

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16 WONG & FLEMING, P.C.

17 Attorneys for China Trust Commercial

18 Bank and China Trust Bank, USA

19 2035 Lincoln Highway, Suite 1050

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21 Edison, New Jersey 08818-0985

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23 BY: ANDREW J. BAYNE, ESQ., of Counsel

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3 A P P E A R A N C E S (Continued) :

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6 230 South Broad Street

7 Philadelphia, Pennsylvania 19102

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9 BY: DANIEL C. FLEMING, ESQ.

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12 MORGAN, LEWIS & BOCKIUS, LLP

13 Attorneys for Chase Manhattan Bank

14 101 Park Avenue

15 New York, New York 10178

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17 BY: SCOTT TALMADGE, ESQ., of Counsel

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19 PATRICIA F. BRENNAN, ESQ., of Counsel

20 -and-

21 RICHARD S. TODER, ESQ., of Counsel

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3 A P P E A R A N C E S (Continued) :

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5 SIDLEY & AUSTIN, ESQS.

6 Attorneys for CIBC

7 875 Third Avenue

8 New York, New York 10022

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10 BY: LEE ATTANASIO, ESQ., of Counsel

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13 WINICK & RICH, P.C.

14 Attorneys for Magten

15 919 Third Avenue

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18 BY: JEFFREY N. RICH, ESQ., of Counsel

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20 LAURIE R. BINDER, ESQ., of Counsel

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3 A P P E A R A N C E S (Continued) :

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5 CAROLYN S. SCHWARTZ, ESQ.

6 Office of the United States Trustee

7 33 Whitehall Street

8 New York, New York 10004

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10 BY: BRIAN MASUMOTO, ESQ.

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12

13 ALSO PRESENT:

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15 EVERETT REYNOLDS

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3 P R O C E E D I N G S

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6 MR. SACKS: Thank you, Your Honor.

7 As the Debtors advised the Court in chambers, we
8 received a commitment letter and a term sheet from
9 Chase and a draft order.

10 We have gone over the commitment
11 letter, the draft Order and the term sheet with
12 Chase and their counsel this morning. We have
13 agreed to changes in all three documents and
14 subject to those changes, the Debtors have an
15 agreement in place with Chase for DIP financing.

16 It is the party's contemplation that
17 the documents will be revised to reflect the
18 agreement over the weekend and then circulated and
19 that we will be able to have a hearing on the
20 interim Order which will also be circulated. It
21 will be circulated on Monday. We will have a
22 hearing on Tuesday morning.

23 The other aspect is the parties'
24 agreement is, first, all of the Debtors believe
25 that they will have sufficient cash to fund

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2 payroll over the weekend; and that to the extent
3 that there is an overdraft in the Chase accounts,
4 Chase will cover the overdraft and be granted a
5 364 lien and with respect to any of the
6 overdrafts.

7 It is also the parties' agreement
8 that the Debtors, that the Debtors' request that
9 the \$250,000 payment to Magten and Packholder stay
10 in place.

11 The Debtors have made that request
12 because the Debtors feel they got substantial
13 value in excess of that \$250,000 as a result of
14 complying with the commitment letter with Magten
15 and Packholder and the Debtors also request the
16 ability to pay attorneys' fees, reasonable
17 attorneys' fees with respect to Magten and
18 Packholder, and Chase has agreed not to oppose
19 Magten and Packholder retaining \$250,000 and not
20 to oppose the request for reasonable attorneys'
21 fees.

22 Mr. Chang has agreed to refund his
23 portion of the \$250,000 payment.

24 THE COURT: How much is that?

25 MR. FIRST: Approximately \$16,000.

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2 MR. SACKS: Approximately \$16,000
3 roughly.

4 THE COURT: What is the agreement
5 until the interim Order is signed?

6 MR. SACKS: The cash collateral will
7 stay in place.

8 MR. TODER: Plus this overdraft
9 aspect which was stated by counsel.

10 I would just add to that that while
11 Chase will honor overdrafts in regard to the
12 protections afforded under protections of 364(c)
13 and (d). I didn't want to leave it to just the
14 lien.

15 THE COURT: When you say (d), the
16 only person --

17 MR. TODER: The only person being
18 primed is our own group and ourselves.

19 I think that otherwise states it,
20 although I would add that it's my understanding
21 that our non-objection is not meant to bind other
22 parties in interest and the Court has not
23 determined what should or should not be done
24 vis-a-vis the receipt of the Magten monies.

25 THE COURT: It is not an issue for

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2 today. They got the money and unless or until
3 somebody does something about it, they will
4 presumably hold the money. Whatever they don't
5 have to pay, Mr. Rich is --

6 MR. RICH: Thank you.

7 THE COURT: Does anybody else want
8 to be heard?

9 MR. TODER: One last thing per our
10 discussion in chambers, the adequate protection
11 with regard to the continued use of cash
12 collateral will include not just cash collateral
13 but collateral in general with respect to the
14 replacement liens along the lines we discussed in
15 Court yesterday. That is my understanding of the
16 Debtor's agreement.

17 MR. FLEMING: Both China Trust
18 entities to the extent China Trust cash collateral
19 is being used we deem ourselves inadequately
20 protected.

21 THE COURT: They can't use your cash
22 collateral without your consent, that is what the
23 Code says. I am not granting them permission to
24 use your cash collateral.

25 MR. FLEMING: All right, I wasn't

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2 sure what their intentions were with respect to
3 the facilities where China Trust does have these
4 cash collateral issues, whether they do intend to
5 use the Wangs' cash collateral --

6 THE COURT: I don't know.

7 MR. SACKS: We don't expect to be
8 using China Trust cash collateral between now and
9 the interim judgment.

10 THE COURT: Okay.

11 MR. SACKS: One of the things that I
12 should put on the record, Your Honor, is --

13 MR. FIRST: A, one minute.

14 MR. SACKS: There has been no
15 objection to the entry of a 30-day Order of
16 retention with respect to Zolfo Cooper.

17 THE COURT: You can send that down
18 Monday morning. Is there something else?

19 MR. SACKS: Nothing further, Judge.

20 THE COURT: Is there anyone else?

21 (No response.)

22 THE COURT: Does everyone understand
23 the terms of the emergency financing, use of cash
24 collateral? Does anybody need anything else?

25 (No response.)

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2 THE COURT: Based upon what
3 transpired before me over the last two days, I am
4 satisfied that the Debtor has demonstrated the
5 need, certainly the need for the emergency use of
6 cash collateral and since we have consent I guess
7 that is not an issue any longer.

8 And there is also demonstrated the
9 need, the possible need for emergency financing.
10 Yesterday, the Debtor was not sure if it had
11 enough money to meet payroll. Now it appears it
12 may.

13 Obviously, the Debtor has other
14 expenses which the Debtor has a need for, and I
15 fully appreciate the argument that the appearance
16 of financing may induce trade creditors to give
17 unsecured, basically unsecured credit in the
18 ordinary course of business and that is, of
19 course, a value for what it is worth. And I am
20 satisfied that at least to this point that Chase
21 has acted in good faith.

22 MR. TODER: I meant to add 364(e),
23 Your Honor. I apologize.

24 THE COURT: We have, in essence, had
25 an auction for the privilege of financing over the

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2 last day making Magten a stalking horse, I guess.
3 It's fortunate they have not insisted on a breakup
4 fee although they have gotten a commitment fee.

5 Since the parties are in agreement
6 regarding the adequate protection, those things
7 for the emergency purposes are subject to the
8 execution date of a final Order. Far be it for me
9 to interfere.

10 So under the circumstances, I will
11 approve the emergency use of the cash collateral
12 and the emergency Debtor-in-Possession financing
13 under the terms stated on the record, and I will
14 so Order the record, circulate an Order Monday.

15 Call chambers, we will give you a
16 Tuesday, make it 11:00 so you don't have to wait
17 for the calendar, Tuesday, 11:00 for the interim
18 hearing. Tentatively schedule the final hearing
19 for 9:30 on May -- I am sorry, no one will be here
20 May 29th, that is the holiday, and I will see you
21 on Tuesday and thank you very much.

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C E R T I F I C A T E

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STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, SYLANDIA BROCK, a
Shorthand Reporter and Notary Public within
and for the State of New York, do hereby
certify:

I reported the proceedings in the
within-entitled matter, and that the within
transcript is a true record of such
proceedings.

I further certify that I am not
related, by blood or marriage, to any of
the parties in this matter and that I am
in no way interested in the outcome of this
matter.

IN WITNESS WHEREOF, I have hereunto
set my hand this _____ day of _____,
2000.

SYLANDIA BROCK